

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3639-01  
Bill No.: HB 1426  
Subject: Retirement–State; Retirement Systems & Benefits–General  
Type: Original  
Date: February 12, 2002

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>
Various State Funds – MOSERS	\$0	(\$190,165)	(\$190,165)
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>\$0</b>	<b>(\$190,165)</b>	<b>(\$190,165)</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>
UC Admin Fund	(\$26,421)	\$0	\$0
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>(\$26,421)</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 4 pages.

## FISCAL ANALYSIS

### ASSUMPTION

Officials with the **Departments of Agriculture, Elementary & Secondary Education, Revenue, Health, Social Services, Corrections, Natural Resources, Insurance, and Public Safety (Including the Missouri Highway Patrol)** assume the proposal would have minimal or no fiscal impact on their agencies.

The **Joint Committee on Public Employee Retirement** indicates that this legislation does not represent a “substantial proposed change” in future plan benefits as defined in Section 105.660(5), and, as such, an actuarial cost statement is not required.

The **Office of Administration (OA)** notes that the Missouri State Employees Retirement System will determine any possible cost through an actuarial report in the rate it certifies to OA.

Officials with the **State Highway Employees and Patrol Retirement System (HRS)** assume an additional 8 employees covered under their system would be eligible for retirement before age 50 as a result of the proposal (5 MoDOT and 3 non-uniformed patrol). HRS determines that any fiscal impact as a result of the proposal would be negligible.

Officials with the **Department of Transportation (MoDOT)** assume the proposal will affect 5 MoDOT employees. By allowing these individuals to retire earlier than originally expected, the retirement system will have an increased cash payout. The amount is unknown, but may not be enough to trigger a contribution rate increase. **Oversight** assumes that any fiscal impact as a result of the proposal would be negligible.

The **Missouri State Employees Retirement System (MOSERS)** assumes the proposal will lower the minimum age for retirement under the “Rule of 80” from age 50 to age 48. MOSERS obtained an actuarial valuation for this proposal. According to the valuation, an annual increase in contributions of \$190,165 will be required to fund the benefit in the first year after the benefit change. The contribution rate (as a percentage of payroll) will increase by 0.01%.

Officials from the **Missouri Consolidated Health Care Plan** assume the proposal would have no fiscal impact on their plan.

Officials with the **Department of Conservation (MDC)**, assume the proposal appears to have a fiscal impact on MDC funds that would not exceed \$100,000 annually. However, on similar legislation during the 2001 Legislative Session, the MDC assumed the proposal had no fiscal impact on their agency. **Oversight** assumes that the MDC possesses sufficient funding from its budget to absorb these costs.

ASSUMPTION (continued)

Officials with the **Department of Mental Health (DMH)** noted in very similar legislation that the proposal would have no fiscal impact on their agency. Therefore, **Oversight** assumes that this proposal would pose no fiscal impact to the DMH.

The **Department of Economic Development (DED)** assume the proposal would lower the minimum age for "80 and out" retirement provisions to 48 years. DED notes that they would have to contact MOSERS to determine how many employees would be eligible for the "eighty and out" retirement package at the age of 48. It would also be unknown when those employees that were eligible would take advantage of the benefits.

**Oversight** assumes any fiscal impact on the Department would be minimal. Oversight also assumes that MOSERS will include any costs related to the DED in their aggregate annual cost determination which is included in their response.

The **Department of Labor and Industrial Relations (DOLIR)** notes that it has six employees that would be eligible to retire at age 49 with 31 years of service. DOLIR assumes that the proposal could cost the department \$26,421 in pay and fringe benefits if these employees retired and used their remaining annual leave.

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
Costs--MOSERS			
Increased Contributions	\$0	(\$190,165)	(\$190,165)
UC ADMIN FUND			
Costs – DOLIR			
Early Retirement Benefits	<u>(\$26,421)</u>	<u>\$0</u>	<u>\$0</u>
	<u><b>(\$26,421)</b></u>	<u><b>(\$190,165)</b></u>	<u><b>(\$190,165)</b></u>
<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
	<u><b>\$0</b></u>	<u><b>\$0</b></u>	<u><b>\$0</b></u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

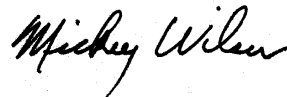
## DESCRIPTION

This bill lowers the normal retirement eligibility age from 50 to 48 under the "Rule of 80" for the Missouri Employees' Retirement System, both the existing plan and the Year 2000 Plan.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

## SOURCES OF INFORMATION

Joint Committee on Public Employee Retirement  
Office of Administration  
Missouri State Employees Retirement System  
State Highway Employees and Patrol Retirement System  
Missouri Consolidated Health Care Plan  
Department of Agriculture  
Department of Elementary & Secondary Education  
Department of Revenue  
Department of Health and Senior Services  
Department of Social Services  
Department of Conservation  
Department of Insurance  
Department of Mental Health  
Department of Transportation  
Department of Public Safety  
Department of Economic Development  
Department of Labor and Industrial Relations  
Department of Corrections  
Department of Natural Resources



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